



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY  
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WENDY L. WATANABE  
CHIEF DEPUTY

March 3, 2008

Ms. Paula Higashi  
Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, California 95814

Dear Ms. Higashi:

**Los Angeles County's Review  
Commission's 'Reasonable Reimbursement Methodologies' Analysis  
Peace Officers Procedural Bill of Rights - Parameters and Guidelines**

We enclose our review of the Commission staff analysis of proposed 'reasonable reimbursement methodologies' for claiming costs under amended parameters and guidelines for the Peace Officers Procedural Bill of Rights reimbursement program.

Leonard Kaye of my staff is available at (213) 974-8564 to answer questions you may have concerning this submission.

Very truly yours,

J. Tyler McCauley  
Auditor-Controller

JTM:CY:LK  
Enclosures

Los Angeles County's Review  
Commission's 'Reasonable Reimbursement Methodologies' Analysis  
Peace Officers Procedural Bill of Rights - Parameters and Guidelines

The Commission staff analysis of proposed 'reasonable reimbursement methodologies' [RRMs] for claiming costs under amended parameters and guidelines for the Peace Officers Procedural Bill of Rights reimbursement program is based on a RRM submitted by the State Department of Finance [Finance] and another submitted by the County of Los Angeles [County].

Finance's RRM is based on 2004-05 actual-cost claims submitted to the State Controller's Office [SCO] by 33 counties and 142 cities. The median cost of such claims, when arrayed in a cost per officer table, was \$226.97. Finance, however, found that only \$56.74 per officer should be reimbursed based on their assessment that audited allowable costs were equal to 25% of claimed costs. Accordingly, their computation was  $\$226.97 \times .25 = \$56.74$ .

The County proposed two different types of RRM. The first, which was based on case load costs, is not considered here. The first rate was based largely on work performed by claimants, as quantified in their SCO claims, for the 2001-02 through 2004-05 fiscal years. As noted on page 6 of the Commission staff analysis:

"The reasonable reimbursement methodology was comprised of three components:

- (1) Unit case costs were determined by multiplying the number of unit level cases x 12 standard hours x productive hourly rate;
- (2) Extended case costs were determined by multiplying the number of extended cases x 162 standard hours x productive hourly rate;
- (3) Uniform costs were determined by multiplying the number of Peace officers x standard rate of \$100."

The County's second proposed RRM is a per officer rate. It is being considered now by Commission staff in the current analysis. It is based on 2004-05 actual-cost claims submitted to the SCO, totaling \$24,529,434.

The County's per officer rate reflects SCO's concern that up to 75% of claimed costs may not be allowable. The County's assumption that 62.5 % was therefore allowable was based upon the assumption that 25% of costs were definitely allowable [100% - 75%] and the assumption that an additional 37.5% of costs, or one half of the 75% of possibly un-allowed costs, would be allowable [25% + 37.5% = 62.5%]. The 37.5% assumption was based on a normal distribution of allowance values, with ½ of values falling above 37.5% [ $1/2 \times 75\% = 37.5\%$ ] and ½ of values falling below 37.5%.

The 2004-05 total claimed cost of \$24,529,434 was then multiplied by 62.5% to obtain the allowed cost of \$15,330,897. This allowed costs was then divided by 50,701 officers to obtain the County's current RRM proposal of \$302.37 per officer.

Commission staff do not agree with the County's RRM assumptions. Specifically, Commission staff disagree with SCO's assertion, and also the County's contention, that up to 75% of claimed costs may not be allowable. Instead, Commission staff rely on the results of 13 SCO audit reports to determine the amounts that are allowable. Staff find that, on average, only 9.17% of claimed costs are allowable costs, not the 62.5% allowance factor found by the County.

Applying the Commission staff's allowance factor of 9.17% in computing a RRM per officer rate, based on 2004-05 claims, results in a rate of \$20.81 per officer. Specifically, 9.17% of the 2004-05 median claimed cost of \$226.97 per officer is \$20.81 per officer [ $9.17\% \times \$226.97 = \$20.81$ ]. This result [\$20.81 per officer rate] is substantially less than Finance's rate of \$56.74 and the County's rate of \$302.37.

The large discrepancies between CSM's, the County's and Finance's rates suggest that the one-size-fits-all approach may not be suited for the POBOR's Program. Indeed, the percentages of [audited] allowable to claimed costs ranges from 0% to 41.74%, as detailed on Schedule One, attached.

Accordingly, it is proposed that claimants continue to be allowed to claim actual costs. In addition, it is proposed that claimants be permitted to utilize a RRM rate, in lieu of actual costs, which is based on audited costs to date. For this purpose, the County now proposes an audited cost RRM per officer rate.

The County's audited cost RRM per officer rate uses a methodology which is similar to the Commission's. The County's rate computations, found on Schedule One, attached hereto, adds three recent audit results, not included in the Commission staff

analysis [of 13 audits]. The result is that the percentage of claimed to allowed costs increased from 9.17% to 11.49%.

In addition, the County removed four audited claims because no claimed costs were allowed at all --- highly unusual for any audit. The result is that the percentage of claimed to allowed costs increased from 11.49% to 15.32%. This then translated to a \$34.77 reimbursement rate per officer [ $\$226.97 \times 15.32\% = \$34.77$ ] based on audited costs.

It should be noted that the \$34.77 per officer rate is a 2004-05 rate. According to the SCO's September 29, 2006 claiming instructions, attached in pertinent part, the implicit price deflator for 2005-06 was 6%. Therefore, for a rate which is effective on July 1, 2006, the 2004-05 rate of \$34.77 should be increased by 6% to \$36.86 [ $1.06 \times \$34.77 = \$36.86$ ].

Therefore, using Commission staff's assumptions that the RRM be based on audited costs, a rate of \$36.86 per officer, effective July 1, 2006 is required.

Accordingly, it is recommend that claimants be permitted to claim a RRM rate of \$36.86 per officer or their actual costs.

# Schedule One

## Average Percent Allowed per Claim under Assumption A or B or C

Claims [2004-05 Actual]	Amount Claimed	Unallowable Costs	Allowable Costs	// ----- Average % Allowed -----//		
				[A]	[B]	[C]
1 Contra Costa County	\$532,160	\$491,524	\$40,636	7.64%	7.64%	7.64%
2 Los Angeles County	\$31,152,062	\$29,839,005	\$1,313,057	4.21%	4.21%	4.21%
3 Los Angeles Police Dept.	\$60,660,765	\$60,110,420	\$550,345	0.91%	0.91%	0.91%
4 San Diego County	\$1,848,251	\$1,848,251	\$0	0.00%	0.00%	-----
5 City of Oakland	\$3,497,273	\$3,496,086	\$1,187	0.03%	0.03%	0.03%
6 Orange County	\$1,676,796	\$1,580,812	\$95,984	5.72%	5.72%	5.72%
7 San Bernardino County	\$1,222,606	\$1,159,749	\$62,857	5.14%	5.14%	5.14%
8 City of Oceanside	\$951,689	\$939,138	\$12,551	1.32%	1.32%	1.32%
9 City of Inglewood	\$838,740	\$838,740	\$0	0.00%	0.00%	-----
10 Alameda County	\$388,851	\$309,257	\$79,594	20.47%	20.47%	20.47%
11 Sacramento County	\$1,186,488	\$805,778	\$380,710	32.09%	32.09%	32.09%
12 Ventura County	\$587,525	\$342,295	\$245,230	41.74%	41.74%	41.74%
13 City of Buena Park	\$49,344	\$49,344	\$0	0.00%	0.00%	-----
14 City of Long Beach	\$13,640,845	\$13,640,845	\$0	-----	0.00%	-----
15 City of Stockton	\$2,344,211	\$1,662,412	\$681,799	-----	29.08%	29.08%
16 City of Sacramento	\$1,323,971	\$854,913	\$469,058	-----	35.43%	35.43%
Totals	\$121,901,577	\$117,968,569	\$3,933,008	119.27%	183.78%	183.78%

## Average % Allowed per Claim

A	CSM's 13 claims	9.17%
B	Updated 16 claims	11.49%
C	Nonzero, Updated 12 claims	15.32%

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2006-28

ANNUAL REVISIONS- LOCAL AGENCIES

SEPTEMBER 29, 2006

Government Code Section (GC §) 17561 provides for the reimbursement of state mandated costs. Enclosed is information for updating the Mandated Cost Manual for Cities, Counties, and Special Districts. The manual contains all forms and instructions that are necessary for local agencies to file 2005-06 annual claims with the State Controller's Office (SCO).

Estimated claims for costs to be incurred during the 2006-07 fiscal year and reimbursement claims that detail the costs actually incurred in the 2005-06 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before January 16, 2007.** If the claim is filed after the deadline, but by January 15, 2008, the approved claim will be reduced by a late penalty of 10% not to exceed a maximum of \$1,000 for on-going claims. In order for a claim to be considered properly filed, the claim must include supporting documentation specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline or without supporting documentation.

Amounts appropriated for the payment of program costs are shown beginning on page 4 under "Appropriations for the 2005-06 and 2006-07 Fiscal Years." The fiscal years for which costs can be claimed for a mandated cost program are shown beginning on page 7 under "Reimbursable State Mandated Cost Programs." To prepare 2006-07 estimated claims and 2005-06 reimbursement claims, forms in the manual should be duplicated to meet the local agency's filing requirements. Claim amounts should be rounded to the nearest dollar.

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

If delivered by  
other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 500  
Sacramento, CA 95816

MINIMUM CLAIM COST

GC §17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county may submit a combined claim on behalf of special districts within their county if the combined claim exceeds

\$1,000, even if the individual special district's claim does not each exceed \$1,000. The county shall determine if the submission of a combined claim is economically feasible and shall be responsible for disbursing the funds to each special district. Combined claims may be filed only when the county is the fiscal agent for the special districts. A combined claim must show the individual claim costs for each eligible special district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a special district provides a written notice of its intent to file a separate claim to the county and to the SCO at least 180 days prior to the deadline for filing the claim.

### **ESTIMATED CLAIMS**

Unless otherwise specified in the claiming instructions, claimants do not have to provide cost schedules and supporting documents with the estimated claim if the estimated amount does not exceed the prior fiscal year's actual costs by more than 10%. The claimant can simply enter the estimated amount on form FAM-27, line (07). However, if the estimated claim exceeds the prior fiscal year's actual costs by more than 10%, the claimant must complete claim forms as specified in the claiming instructions for the program and explain the reason for the increased costs. If the explanation to support the higher estimate is not provided with the claim, the claim will automatically be adjusted to 110% of the prior fiscal year's actual costs.

### **FINAL FILING DEADLINE FOR 2005-06 FISCAL YEAR CLAIMS**

The final filing deadline for 2005-06 reimbursement claims is **January 16, 2007**. A late penalty of 10% up to a maximum of \$1,000 for on-going claims of the approved claim will be applied to 2005-06 claims filed after January 16, 2007. **Claims filed after January 15, 2008, will not be accepted.**

### **Updates of Rates and Factors**

The following rates are to be used for filing 2005-06 reimbursement claims. These rates are computed by adjusting the 2004-05 rate by the change in the Implicit Price Deflator (IPD) pursuant to the Department of Finance's Report of August 30, 2006, *National Deflator, State and Local Purchases*. The estimated change in the IPD for 2005-06 is 6.0%. Local agencies may increase the 2005-06 unit cost rate by the estimated 2006-07 IPD change of 3.7% to determine the 2006-07 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- ♦ *Ch. 1242/77, Senior Citizens' Property Tax Postponement (Program No. 18)*

Counties with an established base year entitlement will receive an automatic payment through the State Mandate Apportionment System (SMAS) (See page 5 of the manual). The amount of increase for the 2005-06 apportionment is 6.0%. Counties without an established base year entitlement may file a 2005-06 reimbursement claim. The 2005-06 unit cost reimbursement rate for each document processed is \$14.23.

- ♦ *Ch. 921/87, Unitary Countywide Tax Rate (Program No. 90)*

The 2005-06 Implicit Price Deflator factor for adjusting the 1987-88 base year cost is 1.774.

- ♦ *Ch. 1022/99, Crime Victim's Domestic Violence Incident Reports (Program 262)*

The 2005-06 unit cost rate is \$0.49 and the estimated rate for fiscal year 2006-07, is \$0.51.

- ♦ *Ch. 1136/93, Open Meetings Act/Brown Act Reform (Program 219)*

The 2005-06 uniform cost allowance is \$135.66 for the period **July 1, 2005, to July 18, 2005**, only because the order to set aside this program is effective July 19, 2005.



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**Los Angeles County's Review  
Commission's 'Reasonable Reimbursement Methodologies' Analysis  
Peace Officers Procedural Bill of Rights - Parameters and Guidelines**

**Declaration of Leonard Kaye**

Leonard Kaye makes the following declaration and statement under oath:

I Leonard Kaye, SB 90 Coordinator, in and for the County of Los Angeles, am responsible for filing test claims, reviews of State agency comments, Commission staff analysis, and for proposing parameters and guidelines (P's& G's) and amendments thereto, all for the complete and timely recovery of costs mandated by the State. Specifically, I have prepared the subject review of Commission's draft staff analysis of the proposed amended POBOR's Ps&Gs ..

Specifically, I declare that I have examined the County's State mandated duties and resulting costs, in implementing the subject law, and find that such costs as set forth in the subject test claim, are, in my opinion, reimbursable "costs mandated by the State", as defined in Government Code section 17514:

" ' Costs mandated by the State' means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution."

I am personally conversant with the foregoing facts and if so required, I could and would testify to the statements made herein.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct of my own knowledge, except as to the matters which are therein stated as information or belief, and as to those matters I believe them to be true.

*3/3/08, Los Angeles, CA.*  
Date and Place

*Leonard Kaye*  
Signature





J. TYLER McCAULEY  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

### DECLARATION OF SERVICE

STATE OF CALIFORNIA, County of Los Angeles:

Hasmik Yaghobyan states: I am and at all times herein mentioned have been a citizen of the United States and a resident of the County of Los Angeles, over the age of eighteen years and not a party to nor interested in the within action; that my business address is 603 Kenneth Hahn Hall of Administration, City of Los Angeles, County of Los Angeles, State of California;

That on the 4th day of March 4, 2008, I served the attached:

Documents: Los Angeles County's Review, Commission's "Reasonable Reimbursement Methodologies" Analysis, Peace Officers Procedural Bill of Rights-Parameters and Guidelines, including a *1 page letter of J. Tyler McCauley dated 3/3/08, a 3 page narrative, 1 Schedule (Schedule One), a 2 page attachment (Annual Revisions-Local Agencies), and a one page declaration of Leonard Kaye, now pending before the Commission on State Mandates.*

[X] By transmitting a PDF copy of the above document via e-mail to [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov), [paula.higashi@csm.gov](mailto:paula.higashi@csm.gov), and [nancy.patton@csm.gov](mailto:nancy.patton@csm.gov). By mailing original signed above documents to Commission's address: Ms. Paula Higashi, Executive Director; Commission on State Mandates; 900 Ninth Street, Suite 300; Sacramento, California 95814; and by Faxing above documents to Commission at [916] 445-0278.

That I am readily familiar with the business practice of the Los Angeles County for collection and processing of correspondence for mailing with the United States Postal Service; and that the correspondence would be deposited within the United States Postal Service that same day in the ordinary course of business. Said service was made at a place where there is delivery service by the United States mail and that there is a regular communication by mail between the place of mailing and the place so addressed.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 4th day of March 4, 2008 at Los Angeles, California.

  
Hasmik Yaghobyan